

tip on behalf of both Dominion and Provincial Governments, the Act places the claims of the Dominion second to the note issues, and those of the provinces third. Notes of lesser denomination than \$5 (£1) may not be issued, and all notes must be multiples of \$5 (£1). Notes smaller than \$5 are issued by the Dominion Government. With power at 31st December, 1889, to issue \$60,289,910 (say £12,057,682), the banks had in circulation only \$33,559,700 (say £6,711,940). The average of assets, including double liability, to secure each dollar was \$2.37 (say £1 : 17 : 6), the lowest individual average being \$6.05 (say £1 : 4 : 2). The circulation expands and again contracts during three months in each year as much as 20 per cent, owing to the products of Canada being still mainly of the forest and field. This fact, and the necessity for till money without cost at the branches, have caused Canadian bankers to steadily oppose a currency secured by special deposit of securities. During the period since Confederation the banks have provided a currency readily convertible into specie, the volume rising and falling with requirements of trade, and this, apart from legal tender notes of the Dominion, is almost the only class of money in constant use. The amount of legal tenders in circulation is about \$16,000,000 (say £3,200,000), of which over half is held by the banks, the balance representing change-making notes of denominations smaller than \$5 (£1).

#### RESERVES.

No reserves are actually required by law. The cash reserve in gold and legal tenders has averaged for some years about 10 per cent. Till money is almost entirely supplied by the note circulation. The smaller banks keep their available reserve in deposits with the leading banks in Montreal. The larger banks have their immediately available reserves largely in security loans in New York and Chicago. Forty per cent. of whatever cash reserve a bank may choose to keep must be in Dominion legal tenders, a provision entirely in the interest of the Government.

#### BRANCH SYSTEM.

Perhaps because the first bankers in Canada were to a great extent English and Scotch, the branch system has become so firmly established that but six or seven

banks have no branches. Altogether there are about four hundred bank offices, including fifteen city branches in Toronto, administered by thirty-eight banks, the largest number by any one bank being forty-four, two other banks having about thirty. One of these has branches from Halifax on the Atlantic to Vancouver on the Pacific, a distance of about 3,500 miles. Any town of 1000 or 1500 people may thus have a bank of deposit and discount of high standing, and administered by a trained bank officer. Slowgoing communities where deposits accumulate, thus provide the means of satisfying the wants of new and enterprising localities, where the demand for money is out of all proportion to local supply. As a result of this economy in the distribution of capital, and the advantages arising from till money without cost, and the profits of circulation, rates of interest in Canada are as low or lower than in any country except the three or four leading nations of the world, and Canadian banks cannot go to Great Britain for deposits as other colonial banks do, because they cannot afford the rates paid by other banks. The proportion of deposits to capital is still so small (only two to one) that branch banking could not have reached its present comparatively perfect development, but for the note issues not being specially secured. It has been argued that if this power was taken away or replaced by a specially secured issue, perhaps one-half of the branches would have to be closed.

The following figures indicate the growth of banking in Canada, 1856 and 1860 being for Old Canada alone (taking the \$ as 5 - £1):

YEAR.	CAPITAL PAID-UP	
1856	\$13,700,000, say	£2,740,000
1860	24,400,000 "	4,880,000
1870	32,000,000 "	6,400,000
1880	60,500,000 "	12,100,000
1890	59,500,000 "	11,900,000

YEAR.	NOTE ISSUES.	
1856	\$10,500,000, say	£2,100,000
1860	9,700,000 "	1,940,000
1870	14,100,000 "	2,820,000
1880	20,100,000 "	4,020,000
1890	32,000,000 "	6,400,000